

firm Towers Perrin for advocacy group AARP.

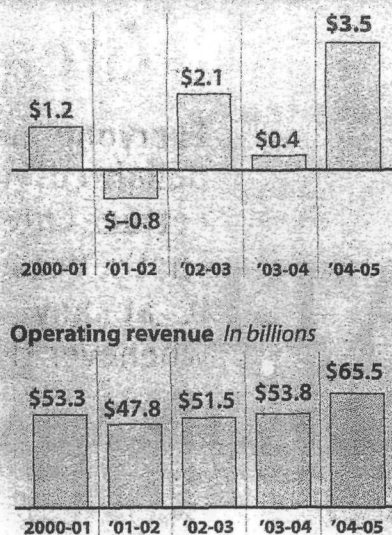
AARP is scheduled to release "The Business Case for Workers Age 50+" this week.

Among the study's findings: Compensation costs per new employee would go up by 1 percent or less if a company doubled its concentration of older new hires to 40 percent.

Doubling retention of older workers would boost costs between 1 percent and 3 percent. But replacing them would result in high one-time turnover costs of as much as 39 percent of their total compensation. Such costs would include recruiting and training new employees.

The cost estimates were based on an analysis of four jobs—engineer, sales manager, nurse

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Note: For fiscal year ending June 30

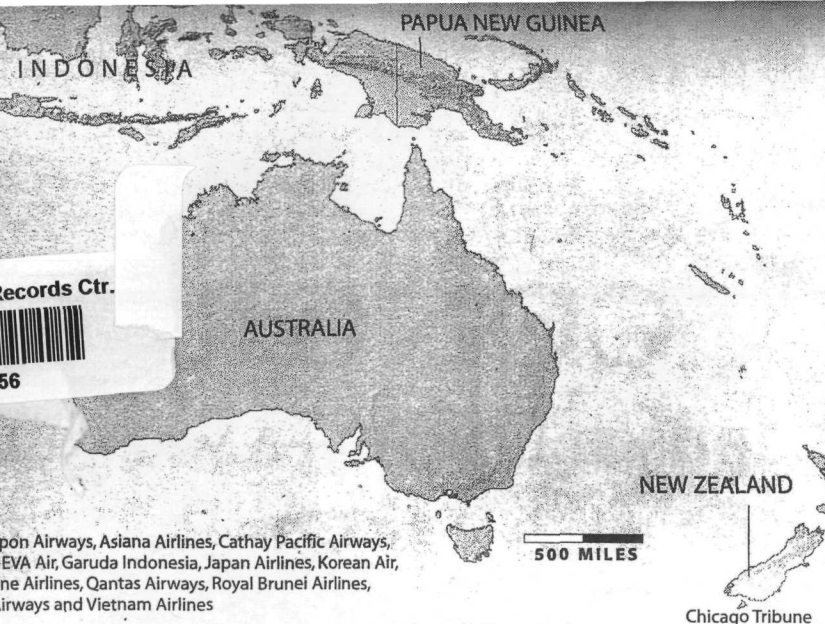
Sources: Association of Asia Pacific Airlines, ESRI

EPA Region 5 Records Ctr.



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\*Air New Zealand, All Nippon Airways, Asiana Airlines, Cathay Pacific Airways, China Airlines, Dragonair, EVA Air, Garuda Indonesia, Japan Airlines, Korean Air, Malaysia Airlines, Philippine Airlines, Qantas Airways, Royal Brunei Airlines, Singapore Airlines, Thai Airways and Vietnam Airlines



Chicago Tribune

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PLEASE SEE **PLANE**

## Condos stake claim as 1st choice for downtown Chicago living

By John Handley  
Tribune staff reporter

By staying put, 24-year-old Eric Worley has become part of a trend: people buying residences in downtown Chicago.

His reasoning?

"It's cheaper to own than to rent," said Worley, a trader at the Chicago Board of Trade. "That's on a monthly cash-flow basis, after the down payment," he said.

Worley paid more than \$300,000 in November to purchase the 16th-floor unit he had been renting at Grand Plaza, whose 37-story west tower at 545 N. Dearborn St. is converted to condominiums.

In 2000 Chicago ranked No. 1 in the country in the proportion of downtown residences that were owner-occupied, at 40.7 percent, according to a recent Brookings Institution report based on U.S. Census figures. In 1970 Chicago's downtown homeownership rate was a mere 4 percent, the report said.

Parallel figures aren't available for 2005, but the number of housing units in downtown Chicago has soared to 80,000 from 60,000, and the proportion of owned units to rental ones has, too, said Gail Lissner, vice president of Appraisal Research Counselors in Chicago.

Appraisal Research defines the downtown area as being

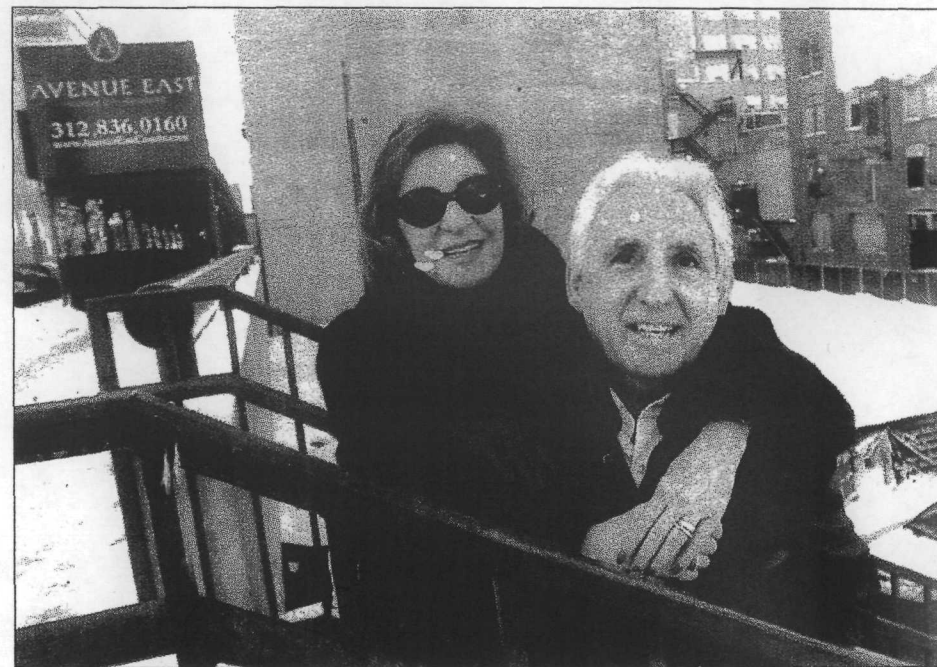
bounded by North Avenue, 22nd Street [Cermak Road] and Ashland Avenue. The Brookings study defined downtown's western boundary as Halsted Street. In 2005 rentals amounted to 25 percent of the 80,000 units, Lissner said. The number of rental units dropped in the last five years, from 22,200 to 20,500, she said.

Why the boom in buying?

Downtown is taking off because it is a bargain compared with other world-class cities, said Ronald Shipka Sr., principal of Chicago-based Enterprise Cos.

"A lot of people buy here be-

PLEASE SEE **CONDOS**, PAGE 4



Gino Di Nallo and his wife, Germana, plan to move into a condo in the Avenue East at St. Clair and Illinois Streets.

Photo for the Trib

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## CONDOS: N.Y., Boston prices higher

CONTINUED FROM PAGE 1

cause prices are \$200 to \$500 a square foot," said James "Jake" Geleerd, principal in Chicago-based Terrapin Properties, which owns Worley's building. "That same size unit may be \$2,000 a square foot in New York."

That figure might even be \$2,500 in midtown Manhattan, off Central Park—not on it, Lissner said. So Manhattan home prices are about 2½ times those of downtown Chicago, and Boston's are about twice our price, she said.

Low interest rates have contributed to affordability everywhere, falling from an average of 8.05 percent in 2000 to 5.83 percent in 2003 before climbing to 6.32 percent as of last week, according to Freddie Mac.

"Low interest rates have been enticing to first-time buyers," Lissner said. "Most renters look at condos as the entry to homeownership—the most affordable way to get their foot in the door. These young buyers are upwardly mobile, affluent and see the benefits of homeownership."

### Empty nesters

Empty nesters, another large segment of the downtown market, prefer to buy rather than rent, she said. "They may be looking at a condo as an investment, as portfolio diversification. Or, they may buy a unit for their kids."

Shipka, who said 34 percent of his company's buyers are empty-nesters, cited other factors in downtown's favor. "Downtown has become more livable and vibrant." He added that "the Asian [immigrant] market" represent 13 percent of buyers.

While all areas shared in favorable interest rates, Chicago

## Downtown digs

Chicago has the highest rate of homeownership in its downtown area of any major city in the U.S., according to a recent study based on Census 2000 data. It may be because housing prices in Chicago are cheaper compared with cities such as New York.

### DOWNTOWN HOMEOWNERSHIP RATES For 2000

Chicago	40.7%
Lafayette, La.	35.6%
Denver	35.5%
Austin, Texas	35.1%
Miami	34.3%
Philadelphia	33.2%
Norfolk, Va.	31.0%
Charlotte	30.2%
Baltimore	27.0%
Indianapolis	26.9%

Source: The Brookings Institution

Chicago Tribune

has had some advantages: large tracts of former industrial and railroad land to build on south of the Chicago River and a diversified economy that offered well-paying jobs while other industrial Midwest cities lagged.

The city has both promoted the growth and benefited from it. Condos and apartment buildings bring in more property tax revenue than does fallow land.

Neighborhoods that make up the downtown district saw hefty property assessment increases from 2000 to 2003, the last year the city was reassessed.

According to a study by the Cook County assessor's office, assessments increased a median 35 percent on the Near North Side, 36 percent on the Near South Side and in the South Loop, and 81 percent on the Near West Side.

"The condo and housing boom in downtown has had a dramatic impact on property values throughout Chicago," said Laurence Msall, president of the Civic Federation, a voter and tax watchdog group. "Probably the richest area in property values is the Central Business

District and north of the Loop. That has increased in value and as a result the tax paid from those properties has increased dramatically faster than commercial, industrial or other types of property within the city," he said. "The boom also has had significant benefits in security issues downtown, ranging from greater usage of public transit—improving the perception of safety—and more downtown activity after the business day is over."

The route to downtown Chicago began in Italy for Gino Di Nallo, 60, and his wife, Germana, who came to the city 30 years ago. They have lived in 26 locations, and plan to move in 2007 to a two-bedroom condo at Avenue East, a 133-unit building under construction at 160 E. Illinois St.

### Less turnover

"I've been researching buying versus renting," said Di Nallo. "I didn't want to pay rent the rest of my life. A condo makes you feel more at home. There's too much turnover in a rental building, and every year they raise the rent 3 to 5 percent,"

though he noted that real estate taxes and condo assessments can be deterrents to buying.

For now the market shares Di Nallo's preference for buying.

Lissner says 3,300 new condo units are projected for delivery in 2006, while only 892 new apartments are now under construction in two buildings.

She added, though, that the supply of downtown rentals may be larger than figures would indicate because of the "shadow rental market—investor-purchased units in new condo buildings. These rentals could be about 20 percent of new units. Nobody knows for sure.

"But brokers tell me there has been less interest from investors in the last quarter. Interest-rate creep and bubble talk in the press have had an impact on investors," she said.

Worley, the trader, said he constantly monitors prices of downtown properties and "I see buying as not a big risk. Chicago hasn't been affected by a price bubble. If there's a downturn, it will not be a bad correction."

James Kinney, president of Rubloff Residential Properties in Chicago, said the decline of rentals has not been by choice. "Because of the strong condo conversions of rental buildings, apartments have been disappearing," he said. "There are very few new rental buildings coming on the market. Those that do are converted soon after construction."

He said more than 60 percent of high-end renters are considering buying within two years.

However, if there is a glut of new condo buildings downtown, the tide could shift to rentals, Kinney said. "Some say the rental buildings of tomorrow are the new condo buildings of today," he said. "We saw that happen in the '70s and early '80s, when condo sales dropped."

Charles Huzenis, president of Chicago-based Jameson Realty Group, predicts that developers may soon slow the pace of downtown projects because of the rise in construction costs and the cost of money.

## AARP: Health costs

ernment officials are reversing course. The federal government is hiking Social Security eligibility ages, private employers are dropping traditional pensions that encouraged earlier

company-paid medical claim costs indicated that employees between the ages 50 and 65 use an average of 1.4 to 2.2 times as much health care as workers in their 30s and 40s. But the single

perience. A Towers Perrin survey of 35,000 U.S. employees at midsize and large companies suggested that older workers were more likely to go the extra mile than younger ones.